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Foreword

The Economic Transition and Integration (ETI) Project at the International Institute for Applied Systems Analysis (IIASA) started a research activity on the behavior of Russian enterprises under liberalization, privatization and restructuring in 1995–1996. This activity originated upon the initiative of the Ministry of Economy of the Russian Federation. The major reason for focusing on this subject was the fact that the current state and further transformation of Russian medium and large sized enterprises became a challenge for the continuation and success of transition related reforms. Despite certain positive tendencies, numerous enterprises still adjust themselves to ongoing changes without considerable market adaptation and modernization. The emerging ownership structure and financial markets demonstrate limited positive influence on stockholders' incentives, decision-making process and strategies of restructuring.

In the course of these enterprise studies, a workshop on "Russian Enterprises on the Path of Market Adaptation and Restructuring" was organized at IIASA on 1–3 February 1996. Russian and Western experts, extensively working in the area of enterprise performance under transition, focused the discussions on recent empirical findings and analyses concerning the following issues: typical models of enterprise behavior; development of the financial situation at the enterprises and its determinants; impact of emerging markets and competition on enterprises; the consequences of privatization and patterns of restructuring; and enterprise social assets divestiture and conversion. The workshop arrived at both analytical conclusions and recommendations for policy measures stimulating "constructive" enterprise behavior. Possibilities for a joint research project on the motivations and behavior of enterprises in transition economies were also discussed.

The circulation of selected workshop papers as IIASA Working Papers is undertaken in order to provoke broad discussions of presented analytical results. In Dr. Andrey Yakovlev's paper, the description of enterprise behavior in the markets is presented along with an analysis of monopoly effects and peculiarities of competition within the Russian industry.

Contents

Industrial Enterprises in the Markets. New Marketing Relations, Status and Perspectives of Competition

*Andrey Yakovlev**
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1 Introduction

The establishment of a competitive environment is one of the intermediate objectives of liberal reforms undertaken in countries with a transitional economy. The final objective is to increase the efficiency of the economy. However, the experience of many countries shows that it is impossible, under present conditions, to achieve a noticeable and stable increase of economic efficiency without developing competition.

At the same time, it is obvious that the development of competition is a complex integrated process. The rates of forming a competitive environment are predetermined by a broad range of factors, revealing themselves at both micro- and macroeconomic levels. Nevertheless, the presence or absence of a competitive environment becomes obvious only in the market, in concrete forms of relations between the sellers and the purchasers, and in the inclination or disinclination of enterprises to meet customers' needs.

In this respect it is typical that research interest in the market behavior of enterprises in the USSR and later on in Russia has been stipulated by what is known as "producers dictate" as enterprises achieved even more independence and the sphere of strict administrative regulation narrowed. Partial re-engineering of economic mechanisms resulted in increased disbalance of the old economic system, which revealed itself most obviously in economic relations [1,6,25, etc.]. Attempts to introduce a so-called "wholesale trade" only aggravated those trends. During this experiment, carried out in 1987–1988, a significant part of the products' nomenclature (about 8,000 positions) previously distributed by the State Committee of the USSR for Supply and its bodies was transferred to direct economic relations. Suppliers and purchasers were empowered to find their contracting parties, but the prices for these products remained fixed. As a result, many "client" enterprises faced mass refusal by their former suppliers to make new contracts, demands of "counter deliveries" of resources, payments in hard currency, etc.

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It was mentioned in the majority of research performed at that time [12,17,19, etc.] that the two main reasons for the monopoly behavior of enterprises were described as being: a high degree of concentration and monopolization in the industry; and the administrative restrictions of the market in the form of a rigid hierarchical system of national economy management, the system of "funding supplies" which attach purchasers to certain suppliers, and fixed prices for the majority of products.

The first concept proved to be wrong (at least in evaluating the level of concentration). Calculations accomplished by the author on the basis of groups of industrial enterprises in 23 aggregated industries in the USSR in 1975–87 [22] proved that the level of concentration in the USSR industry was significantly lower than in Germany. In the trends of concentration indices (CR, IHH and others) a reduction prevailed, lowering since the middle of the 1970s. An even more thorough analysis performed by the specialists of the World Bank [3] proved that the degree of concentration in the Soviet industry was also significantly lower than in the USA.

Further developments showed that the second concept only partially explained the reasons for monopoly effects. During the radical market reforms initiated in 1992 by the Gaidar government, prices and foreign trade were liberalized, the system of centralized resource distribution was abolished (including the abolishment of corresponding ministries) and privatization processes were started. However, until now, all these developments have not resulted in the formation of a competitive environment. A lot of research still offer reasons for the monopoly or non-market behavior of enterprises [4,7,13,18, etc.].

This may be partially stipulated by specific market structures [5,22]. In particular, the high degree of specialization and the simultaneous absence of opportunity to change the profile of equipment were typical in highly technological branches of the Soviet and Russian industry. In branches oriented to local and regional markets a historically formed attachment of territories to certain manufacturers may be observed. This is overlapped by the trend to restrict economic relations to certain regions stipulated by a dramatic increase in transportation tariffs during the last few years. As a result, enterprises may behave as monopolists at the local markets even with deconcentrated branches.

At the same time, research performed in 1992–93 mention underdeveloped market infrastructure as one of the main reasons for the existence of monopoly effects at the Russian market level [3,15,24]. The absence or underdevelopment of information, legal, financial and material trade support institutions creates additional restrictions at the entrance of the markets, and makes inter-branch movement of capital difficult. Under such circumstances even the appearance of competition may gain negative results, as enterprises suffering competition pressure may consider re-structurization to be too expensive [9].

The author does not undertake to solve all of the problems listed above. The objective is to provide an empirical description of certain important aspects of the market behavior of enterprises and suggest a general description of competition in the industry with a degree of precision which can be achieved by a broad survey of the heads of enterprises, carried out by questionnaires sent by mail.

2 Research Methodology

The behavior of industrial enterprises in the markets has been accomplished on the basis of conjuncture surveys performed by the Centre for the Economic Analysis (CEA) under the Government of the Russian Federation. The CEA has been performing conjuncture surveys for several years, in which the heads of enterprises participated, using the "non-quantitative" methodology worked out by the Ifo-Institute for Economic Research (Munich, Germany). According to this methodology, the respondents were asked to evaluate the actual and the expected change of several indices of their enterprises' activities in "more–less" and/or "better–worse" terms. The results obtained from such surveys are interpreted on the basis of balance evaluations. These evaluations are understood to be the difference between the share of the respondents marking improvement (increase) of an analyzed index and the share of the respondents stating that the same index has worsened (decreased) at their enterprises. Besides, the CEA questionnaire originally included several "qualitative" questions, asking the respondents to evaluate the economic situation of the enterprise or single out the factors restricting the manufacture growth and investment activities at the time of the study. In order to provide feedback, the respondents received a new questionnaire with a brief summary attached of the results of the previous survey.

The methodology of conjuncture studies and the experience of performing them are described in greater depth in [14]. Some results of the CEA surveys are described in [10,11].

Obviously, this type of study is mainly used for revealing the trends in the industrial conjuncture and has a number of objective restrictions. In particular, the standard questionnaire must contain very few questions, which have to be simple enough, otherwise the number of returned questionnaires may be significantly reduced. Besides, the subjective character of the answers would be taken into account. Accordingly, it would be reasonable and correct to interpret the contents of the questionnaires only if the number of respondents is large enough (it is especially important when the sample is divided into groups following the certain criteria).

Nevertheless, from the point of view of analyzing enterprises' behavior, this type of study has the advantage of a broad scope of respondents and regularity of surveys. As a result, the heads of enterprises "get used" to answering questions from standard questionnaires and become prepared to answer some additional, special questions. The latter may have a qualitative form and deal with some concrete fields of the enterprises' activities. All this enables the amplification (and partial checking) of the official statistics data, the quality of which has been receiving numerous claims in Russia recently.

For the purposes of this research, five combined questions about the share of different channels of distribution and their dynamics, competitiveness of the enterprises' main products, prevailing directions of developing the enterprises' economic activities, as well as the factors restricting the sales of manufactured products have been added to the standard questionnaire of the survey performed by the CEA and concern the results of

the third quarter of 1995 (the precise format of the special questionnaires is provided in Appendix 1).

Later, preliminary analysis of the results was obtained on the basis of different linear and some cross distributions. Due to delays in transmitting the initial information, the results obtained are analyzed in this paper only by branch, as well as using the distribution according to the number of employees. Regional differences and the impact of the enterprises' legal status on their market behavior will be analyzed later.

3 Characteristics of the Sample

The sample of quarterly surveys carried out by the CEA during the last three years seem to be the most representative among those samples of enterprises currently existing in Russia. According to the data provided, 1,843 industrial enterprises participated in the CEA survey and contributed to the results of the third quarter of 1995. Their distributions by branch and according to the number of employees are shown in Table 1, Appendix 2.

The relative accent of a given sample in the processing industry may be singled out as one of its characteristics. In particular, almost 96% of all the enterprises considered belong to six branches, among which only one, namely chemical and petrochemical, may be partially referred to in "primary goods branches". Branches like the fuel industry, and ferrous and non-ferrous metallurgy, are represented by only 37 enterprises.

In comparing this data with that of Goskomstat [8] it can be seen that, on the whole, the CEA sample corresponds to the average proportion between small, medium and large sized enterprises within the industry.

A rather broad scope of regions is typical for the CEA surveys. In particular, in the third quarter of 1995 enterprises from 39 krais, oblasts and republics within the Russian Federation participated in the survey and the share of Moscow and Moscow oblast is only 2.38% of all the enterprises. Nevertheless, the majority of the respondents is located in the European part of the Russian Federation. Siberia and the Far East are represented by only 201 enterprises or by 11% of the sample.

Thus, the results of further analysis will refer to the marketing relations and market behavior of manufacturing enterprises situated mostly in the European part of Russia.

4 Description of the Results Obtained

Before describing the results it should be stressed that this research was commissioned by the Ministry of Economy of the Russian Federation. Its main objective was to receive the opinion of the heads of enterprises about certain economic processes and phenomena, especially in the fields where objective statistics data is missing or unobtainable. This objective significantly predetermined the character and the wording of the questions asked

which had been coordinated by the representatives of the Department for Economic Reform and the Department for Commodity Markets Analysis of the Ministry of Economy.

Due to the above mentioned peculiarities, the author deliberately confined himself to pure empirical analysis at the present stage of research and only tried to describe the trends observed. This directly concerned the role of wholesale brokers in the sales organization of industrial products, the evaluation of the products' competitiveness and the influence of competition on sales, the directions of development of the investigated enterprises, as well as evaluating the significance of the factors restricting the sales of products.

4.1 Role of wholesale brokers in the sales organization of industrial products

Research performed at the beginning of the 1990s [2,15] indicated a dramatic loss of importance of the wholesale level and a reduction of the volumes of industrial products sold under brokerage of specialized supply and sales organizations. This negative trend was stipulated by a number of objective reasons.

First of all, it should be mentioned that there was a historically formed artificial monopoly of former state-owned supply and sales organizations [23]. Liberalization of prices, which significantly eased the problem of shortages, as well as the increase of the trade extra charge to 25% from the previous 7–9% in 1992, resulted in an abrupt reduction of the demand on the services of wholesale enterprises and a decrease in their cargo turnover.

At the same time, a group of small and medium sized clients appeared, who could not relinquish the services of wholesale enterprises ("bases") due to certain technological reasons (primarily, non-transit — minor — volumes of deliveries). Such clients provided only 40–50% of the previous cargo turnover, but their demand was not flexible to the tariffs for the "opttorg" (wholesale trade organizations) services as, at that time, no one could provide a similarly broad range of supplies for manufacturing and technological purposes and guarantee stable, uninterrupted, deliveries. The existing inflexible demand, based on the absence of real competition, enabled the "opttorgs" to retain the trade extra charges at their maximum level.

Another factor, of no smaller importance, was the shift from "supplies" to the normal sale of products. Of most importance was the problem of finding a solvent buyer and the quickest sale of products. But the system of wholesale enterprises of the former State Committee for Supplies was designed especially for supply — wholesale bases purchased a broad range of products for industrial and technical purposes and sold it to their clients, situated in the region. In turn, suppliers wanted to have a broker capable of buying much larger volumes of their products and sell them in more than one region or even in the whole territory of the Russian Federation.

The resulting situation compelled enterprises to search for contacts with private broker structures which would undertake to sell their products or establish supply and sale subsidiaries. The data obtained during the CEA study (Tables 2 and 3 in Appendix 2) show that the first variant was put into practice.

The structure of the wholesale market has noticeably changed during recent years. In particular, the share of former state-owned wholesale brokerage organizations has significantly reduced and continues to do so; at the end of 1995 their share in the total sales of products was only 6.4%. Simultaneously, the share of new brokerage structures has increased significantly and is still increasing (equalling 11.6% at the end of 1995). The share of supply and sale subsidiaries remains insignificant and stable, namely 2.2%.

At the same time, the data obtained indicated that the ratio of the delivery of products through direct contacts and through wholesale organizations has relatively stabilized at 80:20. The latter value is higher than the official data of the State Committee for Statistics of the Russian Federation, according to which about 9% of industrial products were sold through wholesale brokerage organizations at the beginning of 1995 [16]. This can be explained by the fact that, according to the estimates of the CEA respondents, more than half of the total turnover of the brokerage organizations is provided by private commercial firms — data which is traditionally badly taken into account by the official statistics.

The shares of products sold through different channels change rather unexpectedly as the enterprises become larger. In particular, the share of direct deliveries of small and medium sized enterprises is more than 80%, but this share is less with regard to large and very large enterprises, which is 76% and 64% respectively. Besides, the share of the former state-owned brokerage organizations remains almost unchanged, and volumes of sales through private commercial structures and supply and sales subsidiaries increase sharply.

If considered by branch, the smallest share of the wholesale level is observed in conetruction materials manufacturing and timber processing industry; it is the largest in chemical and petrochemical branches, as well as in the light industry. Supply and sales subsidiaries are of more importance in mechanical engineering and in the chemical industry. The proportion between former State Committee for Supply institutions and private brokerage institutions are relatively similar in all branches. Almost everywhere the market share of the former is 1.5–2 times less than that of the latter.

As mentioned earlier, one of the factors predetermining a very low share of the wholesale link in the sales of industrial products is the very high price of a brokerage organizations' services. It might be of interest that this factor is more important for the smallest (less than 200 employees) and the largest (more than 5,000 employees) enterprises. At the same time, on the whole the influence of this factor on sales is evaluated on average as moderate which enables the author to state that the main reason for preserving an excessive share of direct contract deliveries is not the level of prices for the brokerage organizations' services, but the quality and the range of the services provided.

4.2 Competitiveness of the products and competition influence on sales

Analyzing the answers to the question about the competitiveness of the main products of enterprises and evaluating the influence of competition on the sales of products (see Tables 4 and 5 in Appendix 2) draws the following conclusions:

1. In all of the branches considered, represented by a sufficient amount of respondents, competitiveness of the enterprises' main products is the highest in the domestic market, a bit less in the CIS market, and significantly less in the international market, according to the evaluations of the directors. It should be mentioned that two-thirds of the respondents have not applied themselves to evaluating the competitiveness of their products to anywhere except in Russia.

2. It should be stressed that all competitiveness evaluations are significantly higher at large enterprises without exception. The larger the enterprise, the higher its managers' evaluate the competitiveness of its products.

3. On average, the evaluations of the influence of competition on sales vary between "moderate" and "low" which indicates a very insignificant role that competition plays in the current Russian market. In addition, the competitiveness of products is evaluated as average for the Russian market and as rather low for the international market. The strongest influence on sales is provided by competition on the part of Russian manufacturers, followed by foreign manufacturers, and then lastly followed by the CIS manufacturers and manufacturers from the other former USSR republics. The only exception is the light industry where competition with imported commodities is the most significant.

4. The larger the enterprises are, the influence of competition on the part of Russian manufacturers reduces, and competition on the part of foreign manufacturers, on the contrary, increases. Competition with the CIS commodities turns out to be more important for small enterprises (51–200 employees).

5. When considered by branch the highest evaluation of the products' competitiveness is typical for the chemical industry and mechanical engineering. These branches belong to the middle of the list if the branches are rated according to the evaluation of competition influence on sales. Construction materials manufacturing and timber processing industry are outsiders in both cases. On average competitiveness is rather low here and competition is hardly noticeable. The only exception is the rather high evaluation of the influence of competition on the part of the Russian manufacturers of construction materials. In the author's opinion, all this can be explained by the significant regional differentiation of sales markets in these branches.

The situation in the light and food processing industries, facing strong competition, is a bit different. Managers of light industry enterprises evaluate competitiveness of their products as rather high, which probably reflects higher adaptation of this branch to the new economic conditions. On the contrary, the highest evaluation of competition is combined in the food processing industry with the lowest evaluation of competitiveness. This branch obviously preserves itself only due to the presence of significant barriers restricting access to regional markets.

4.3 Directions of development of the surveyed enterprises

The proposed variants of the answers were based on different strategies of the enterprises' market behavior, from the most conservative — extending the range of traditional products — to a radical change of the previous specialization and the development of other types of production and non- production activities. The results of the analysis of the answers received are as follows (see Table 6 in Appendix 2):

1. Despite the extremely unfavorable conditions of various economic activities, the majority of the enterprises try to preserve their traditional specialization, extending the range of products manufactured, searching for new sales markets, as well as manufacturing new types of products within the existing specialization. The share of the enterprises developing or intending to develop non-typical manufacture facilities or new types of activities does not exceed a fifth on average.

2. The efforts taken by the management of enterprises and aimed at the development of manufacture facilities (modernization) vary noticeably in different branches. In particular, judging by the answers received, more attention is paid to the improvement of manufacture facilities in mechanical engineering, the chemical and petrochemical industry, and the light industry. It should be mentioned, that the heads of chemical and petrochemical enterprises associate the modernization of their facilities with the manufacture of new types of products and establishing new sales markets. Mechanical engineering enterprises concentrate on the issue of new types of products. Among the total number of answers provided by the heads of enterprises of these two industries, a large share indicated a "change of specialization, development of new types of production activities" and "development of new types of non-production activities". In three other branches, namely the light industry, food processing industry, wood industry, timber processing, and pulp and paper industry, extending the range of products manufactured is considered as the main direction of production development. And finally, in construction materials manufacturing (where the fewest number of managers answered the questions from this section of the questionnaire) stress was laid upon developing new sales markets.

3. The interest of the CEA respondents towards the issues of developing their enterprises is proportionate to the size of their enterprises. In particular, twice as many

heads of large and very large enterprises (more than 1,000 and 5,000 employees respectively) responded to this section of the questionnaire in the same way as the directors of small enterprises with less than 200 employees. Besides, large enterprises pay more attention to the manufacture of new types of products and more often announce the development of new types of production and non-production activities. On the contrary, small enterprises mostly concentrate on extending the scope of their products, and medium sized enterprises (with 200 to 1,000 employees) pay more attention to establishing new markets for the products already manufactured.

On the face of it, this data proves that the market strategy of small and medium sized enterprises is relatively conservative, which does not coincide with the traditional image of small and medium sized businesses that are usually considered to initiate all innovations. This contradiction is explained, in the author's opinion, by the generally unfavorable conditions of the development of small and medium sized enterprises. Such enterprises have insufficient resources for development especially in comparison with industrial giants. It compels them to concentrate on current survival, counting on short-term arrangements which do not require significant investments.

Thus, as mentioned earlier in the section dedicated to competition and competitiveness, the existing economic conditions result in the reproduction of the former disproportion between large, medium and small sized Russian industrial enterprises.

4.4 Factors limiting sales

Before summarizing the results of this block of questions, several specific restrictions inherent to questionnaire-based surveys in large selections will be taken into consideration. The issue considered, namely factors limiting sales, is deliberately multi-dimensional. Different experts could suggest different combinations of such factors. The best way, under these circumstances, would be to obtain respective evaluations from the respondents themselves asking them an "open" question, containing no prompts. However, practice shows that in such conditions the number of answers received reduces significantly (it is difficult for many respondents to give an answer), on the other hand, data processing becomes more complicated.

This is why, within the CEA study, the heads of enterprises have been offered the choice of only 10 factors which could be evaluated according to a 4-point scale (see question 5 in Appendix 1). Analytical possibilities of revealing the level of significance and rating separate factors, as well as comparison by branch and size of the enterprises, change. Results of such analysis are shown in Tables 5 and 7 in Appendix 2. In interpreting the data obtained, the following conclusions can be drawn:

1. The first four positions are consequently occupied by customers' insolvency, high transportation tariffs, high production costs and the termination of old economic contacts. The average evaluation of the influence of the first and the second factors

vary around "high", for the third and the fourth factors the evaluation vary between "high" and "moderate". State regulation of prices, tariffs, sales terms, as well as competition on the part of manufacturers from the CIS and the other former USSR republics are mentioned as the least important in the list provided (impact is evaluated as "low").

2. Branch differences are expressed by a slightly different rating of factors. For example, customers' insolvency and high transportation tariffs change positions in the evaluations made by the heads of the wood industry, timber processing, and pulp and paper industry, as well as of construction materials manufacturing. The rating and the absolute value of the influence of competition on the part of foreign manufacturers have turned out to be extremely variable: from the tenth position (construction materials manufacturing, 0.40 points) to the fifth position (light industry, 2.31 points). The influence of state regulation of prices, tariffs and terms of sale appears to be more significant for the food processing industry than for other industries: 1.44 points against 0.74–0.96 points.

3. The results of analysis of the evaluations provided by enterprises of different sizes are more obvious. In particular, as the enterprises become larger the negative impact of customers' insolvency receives higher evaluation, although this is one of the most important factors in any case. The absolute negative impact of high transportation tariffs on large enterprises becomes relatively stronger, and for small enterprises this factor occupies the first place. It can also be observed that competition on the part of Russian manufacturers becomes a less significant factor for large enterprises with a simultaneous (but less noticeable) increase of the influence of competition on the part of foreign manufacturers. The high level of prices for brokerage organizations services is mentioned as a factor limiting sales by either the smallest or the largest enterprises. Finally, it should be mentioned that the evaluation of all of the factors provided by small enterprises is rather homogeneous and less dispersed.

5 Conclusion

After performing the analysis of data obtained during the CEA study, the following general conclusions can be drawn with respect to the market behavior of enterprises and the state of the competition environment of Russian industry:

1. The share of direct economic ties is still very large, accounting for about four-fifths of the total volume of industrial output. In general, this conforms with the thesis of underdeveloped trade infrastructure and means that there are high additional expenses incurred by enterprises while exercising market interaction.

   Nevertheless, the share of products sold through wholesale and brokerage companies (about a fifth) is higher according to the estimates of the directors of enterprises

than to the official statistics data. One of the possible reasons for the existence of such a discrepancy may be the traditionally poor accounting of turnover of private trade and brokerage companies by state statistics.

It may be mentioned that the high degree of activity of private trade companies in the wholesale market of domestic products are among the positive trends in this sphere. In the wholesale market of imported goods private companies have always prevailed. During the last two years, the share of private companies has been expanding in the market in all branches. According to the directors' estimates, their current turnover is twice as large as that of the former state-owned supply and sales structures. Previous research enabled the author to assume that the reasons for this are the acuteness of sales problems in general and the incapability of the former "Gossnab" structures to perform these functions.

2. No essentially new results have been provided by analyzing the evaluation of the impact produced by various sales restricting factors. Almost all of the respondents mark the extremely negative role of non-payments and high transportation tariffs. The latter factor results in the situation when more and more sales and purchases are performed within particular restricted regions (which is mentioned in the literature [7,15, etc.]) and the existing market structure becomes dormant.

   The impact of high prices for wholesale and brokerage organizations' services on sales is evaluated as moderate. In conjunction with the above mentioned large share of direct economic ties, it can be assumed that the services of trade brokers and wholesale bases are not used due to their poor quality and not to their high prices. At the same time, it is indicated that the termination of old economic relations still produces a serious impact on sales. All this confirms the conclusion of trade infrastructure weakness.

   Direct administrative influence on the enterprises' activities in the form of establishing prices, tariffs, and terms of sale does not seriously affect sales at the present time. This factor is noticeable at least to some extent only in the food processing industry, but it has the lowest rating even within this industry.

3. Competition: Although the evaluation of competition established by other surveys [20,21] tends to increase, the general impact on sales is considered as "moderate" or "low". The main rivals of the enterprises are Russian manufacturers of similar products. The only exception is the light industry in which competition on the part of imported goods is more significant. An inter-branch comparison of the evaluations of the impact of competition on sales results in the observation that this factor never occupies a position beyond that of fifth. This is also an indirect confirmation of the relatively insignificant role of competition in the current Russian market.

4. Some forecasts can be made on competition development on the basis of evaluations of competitiveness and answers provided by the respondents with respect to

the development directions of their enterprises. In both cases, there is almost no difference between the branches. On the contrary, significantly more information is provided by analyzing distribution according to the size of enterprises.

The data obtained prove that competitiveness evaluations (especially of external markets) and marketing activities increase according to the size of the enterprise. In particular, the heads of large and very large enterprises (more than 1,000 and 5,000 employees respectively) were twice as active in answering the question about the directions of their enterprises' development, than the directors of small enterprises with less than 200 employees. It should also be mentioned that large enterprises pay more attention to the introduction of new types of products and mention the development of new types of production and non-production activities more often. On the contrary, small enterprises mostly concentrate on enlarging the traditional mix, and medium sized enterprises (from 200 to 1,000 employees) concentrate on establishing new markets for the products they already manufacture.

The data provided prove that market strategies of small and medium-sized enterprises are rather conservative and inert, which does not comply with the traditional image of small and medium sized businesses that are usually considered to generate innovations. In the author's opinion, this contradiction can be explained by the fact of preserving generally unfavorable conditions for the development of small and medium-sized enterprises.

Thus, a preliminary analysis of the results obtained proves, on the whole, the presence of certain positive changes in the market behavior of enterprises. At the same time, the conditions for developing a competitive environment are still rather unfavorable and it can be assumed that the development of competition processes will be slow enough without undertaking proper state regulation arrangements (primarily — providing the incentives for developing market infrastructure and institutional changes).

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APPENDIX 1

Table 1: Evaluation of Competitiveness of Enterprises' Main Type of Production

	High	Average	Low	Production is Not Competitive
On the domestic market				
On the CIS and near abroad markets				
On the foreign market				

Table 2: Directions of Enterprises' Production Development in the Current Year

	Yes	No	No, but is Planned	No Answer
Assortment enlargement in traditional products				
Mastering of new markets for traditional products				
Introduction of new products within existing specialization				
Change of specialization, development of new types of productive activity				
Development of new types of non-productivity activity				

Table 3: Portion of the Main Type of the Enterprises' Production, Realized in the Current Year

	Not More Than 5%	6–15%	16–30%	31–50%	51–70%	More Than 70%
Through direct contracts with consumers						
Through the former state wholesale-mediatory firms						
Through new, including private, mediatory firms						
Through affiliated purchasing-selling enterprises						

Table 4: Dynamics of the Portion of Enterprises' Main Type of Production: Comparison Between Current and Previous Years

	Increased	No Substantial Changes	Decreased
Through direct contracts with consumers			
Through former state wholesale-mediatory firms			
Through new, including private, mediatory firms			
Through affiliated purchasing-selling enterprises			

Table 5: Factors, Limiting the Sales of an Enterprise's Main Product

	Degree of Impact on Sales of the Factors Listed				
	Very High	High	Average	Low	Absent Completely
Insolvency of consumers					
Competition from: • domestic producers • producers of the CIS and near abroad markets • foreign producers					
High production costs					
High level of prices on wholesale mediatory firm services					
High transportation tariffs					
Lack of information on prices and demand					
Break of old economic ties					
State regulation of prices, tariffs, terms of sale					

APPENDIX 2

Table 1: Some Characteristics of Surveyed Enteprises' Data

Aggregated Branch of Industry/Groups of Enterprises by the Number of Employees	Number of Enterprises — Respondents	Share of a Branch (Group) in the Sample %	Share of a Branch (Group) in the Total Number of Industrial Enterprises %
TOTAL:	1843	100.00	100.00
Fuel industry	10	0.54	2.0
Non-ferrous metallurgy	16	0.87	1.0
Ferrous metallurgy	11	0.60	1.4
Chemical and petrochemical industry	46	2.50	2.7
Mechanical engineering and metal processing industry	547	29.68	25.5
Forest and wood processing industry	212	11.50	12.5
Construction materials	208	11.29	10.1
Light industry	269	14.59	13.0
Food processing industry	485	26.32	23.7
Cereal, flour-milling and combi-fodder industry	30	1.63	1.9
Polygraphic industry	9	0.48	2.1
Other industries	–	–	4.1
ENTERPRISES WITH:			
Not more than 50 employees	154	8.36	7.6
51–200 employees	586	31.80	43.3
201–1000 employees	747	40.53	36.3
1001–5000 employees	294	15.95	10.6
More than 5000 employees	62	3.36	2.2

This and the following tables are done on the basis of data received by the Center of Economic Conjucture in the third quarter of 1995.

Table 2: Evaluation of Production Sales Through Different Channels of Realization (% of the production volume)

Branches/Enterprise Size Groups	Through Direct Contracts With Consumers	Through Former State Wholesale-mediatory Firms	Through Private Mediatory Firms	Through Affiliated Purchasing-selling Firms
TOTAL:	79.8	6.4	11.6	2.2
Chemical and petrochemical industry	70.5	9.5	16.2	3.8
Mechanical engineering and metal processing industry	79.8	7.2	10.5	2.5
Forest and wood processing industry	83.0	5.8	10.7	0.5
Construction materials	89.9	4.4	5.0	0.7
Light industry	76.7	7.7	14.5	1.1
Food processing industry	77.9	8.5	13.1	0.5
ENTERPRISES WITH:				
Not more than 50 employees	80.0	8.1	9.5	2.4
51–200 employees	81.0	7.2	10.0	1.8
201 –1000 employees	82.2	7.2	10.0	0.6
1001–5000 employees	76.0	6.2	15.3	2.5
More than 5000 employees	63.9	8.8	19.6	7.7

Table 3: Saldo of Changes in Production Sales Through Different Channels of Realization (1995 compared to 1994)

Branches/Enterprise Size Groups	Through Direct Contracts With Consumers	Through Former State Wholesale-mediatory Firms	Through Private Mediatory Firms	Through Affiliated Purchasing-selling Firms
TOTAL:	1	-11	9	0
Chemical and petrochemical industry	0	-15	9	-2
Mechanical engineering and metal processing industry	1	-13	12	0
Forest and wood processing industry	5	-13	7	0
Construction materials	0	-4	4	1
Light industry	-1	-17	9	-1
Food processing industry	2	-10	11	0
ENTERPRISES WITH:				
Not more than 50 employees	-3	-7	5	-3
51–200 employees	-3	-9	8	-2
201–1000 employees	4	-11	8	1
1001–5000 employees	5	-18	15	2
More than 5000 employees	-7	-13	22	6

Table 4: Evaluation of Competitiveness of the Main Product

Branches/Enterprise Size Groups	Number of Surveyed Enterprises	Integral Evaluations of Competitiveness*		
		On the Domestic Market	On the CIS and Near Abroad Markets	On the Foreign Market
TOTAL:	1843	2.01	1.92	1.33
Chemical and petrochemical industry	46	2.23	2.03	1.64
Mechanical engineering and metal processing industry	547	2.11	2.08	1.35
Forest and wood processing industry	212	1.90	1.80	1.50
Construction materials	208	2.08	1.85	0.63
Light industry	269	1.99	1.86	1.35
Food processing industry	485	1.93	1.67	1.25
ENTERPRISES WITH:				
Not more than 50 employees	154	1.81	1.47	0.75
51–200 employees	586	1.88	1.61	1.00
201–1000 employees	747	2.03	1.92	1.14
1001–5000 employees	294	2.26	2.18	1.49
More than 5000 employees	62	2.44	2.26	1.69

* Integral evaluations were received by recalculating the survey data using the 3-mark scale. The variants of "high competitiveness" were given mark 3, "average": 2, "low": 1, and "non-competitive product": 0.

Table 5: Evaluation of the Impact of Competition on the Sales of the Enterprise's Main Product

Branches/Enterprise Size Groups	Integral Evaluation of the Impact of Competition on Sales from*: Domestic Producers	CIS and Near Abroad Producers	Foreign Producers
TOTAL:	1.89	1.32	1.58
Chemical and petrochemical industry	2.02	1.09	1.58
Mechanical engineering and metal processing industry	1.69	1.20	1.36
Forest and wood processing industry	1.67	0.93	1.02
Construction materials	2.02	0.64	0.40
Light industry	2.02	1.64	2.31
Food processing industry	2.24	1.94	2.03
ENTERPRISES WITH:			
Not more than 50 employees	2.07	0.50	1.52
51–200 employees	2.00	1.54	1.59
201–1000 employees	1.92	1.33	1.51
1001–5000 employees	1.79	1.29	1.73
More than 5000 employees	1.80	1.29	1.62

* Integral evaluations were received by recalculating the survey data using a 4-mark scale. The variants were evaluated as follows: "very high impact": 4, "high": 3, "average": 2, "low": 1, "complete absence of impact": 0.

Table 6: Evaluation of Prevailing Directions of Enterprises' Production Development in 1995

Branches/Enterprise Size Groups	Variants of the Answers*									
	1		2		3		4		5	
	(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)
	% of the Total Number of Respondents									
TOTAL:	46	12	43	11	45	11	13	8	13	6
Chemical and petrochemical industry	41	9	54	9	52	4	22	9	11	2
Mechanical engineering and metal processing industry	50	11	49	11	58	11	19	8	16	8
Forest and wood processing industry	38	11	31	15	31	12	7	7	9	5
Construction materials	32	12	40	7	33	12	9	7	10	6
Light industry	54	9	49	9	49	10	12	9	13	7
Food processing industry	49	18	39	14	43	13	10	9	12	6
ENTERPRISES WITH:										
Not more than 50 employees	35	21	26	14	32	14	8	10	14	10
51–200 employees	38	15	33	14	34	13	9	8	10	7
201–1000 employees	50	10	47	10	49	11	14	9	13	5
1001–5000 employees	55	10	53	10	57	10	18	7	18	6
More than 5000 employees	70	5	68	7	79	2	32	3	15	7

* 1: Assortment enlargement of traditional product; 2: Mastering of new markets for traditional product; 3: Introduction of new product within the former industrial specialization; 4: Change of specialization, development of new production types; 5: Development of non-productive activity.

Variant (a): this direction is being implemented at the enterprise at the time of the survey; (b): at present no, but is planned for next year.

Table 7: Evaluation of the Impact of Some Factors Limiting the Sales of Enterprise's Main Product

Branches/Enterprises Size Groups	Factors[a] and Integral Evaluation of Their Impact on Production Sales[b]						
	1	2	3	4	5	6	7
TOTAL:	2.97	2.65	2.00	2.94	1.59	2.45	0.95
Chemical and petrochemical industry	3.17	2.67	1.67	3.01	1.33	2.47	0.96
Mechanical engineering and metal processing industry	3.18	2.69	2.02	2.84	1.61	2.52	0.83
Forest and wood processing industry	2.60	2.85	1.74	3.18	1.48	2.29	0.96
Construction materials	2.91	2.54	1.83	3.28	1.68	2.39	0.84
Light industry	2.97	2.71	2.15	2.82	1.49	2.49	0.74
Food processing industry	2.85	2.63	2.13	2.73	1.59	2.28	1.44
ENTERPRISES WITH:							
Not more than 50 employees	2.74	2.54	2.29	2.77	1.75	1.93	1.20
51–200 employees	2.78	2.69	2.08	2.91	1.51	2.42	0.97
201–1000 employees	2.98	2.66	1.95	2.93	1.60	2.47	1.00
1001–5000 employees	3.18	2.66	1.83	3.03	1.54	2.57	0.87
More than 5000 employees	3.30	2.71	2.27	3.02	1.54	2.43	1.04

[a] 1: Insolvency of consumers; 2: High production costs; 3: High price level on wholesale-mediatory firms services; 4: High transportation tariffs; 5: Lack of information on prices and demand; 6: Break of old economies ties; 7: State regulation of prices, tariffs, terms of sale.

[b] See notes to Table 5, Appendix 2.